

VALLEY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2008

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VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Greg Kleppe	President	2007
Mick Olson	Vice President	2008
Dawn Daughton	Board Member	2008
Mark Howard	Board Member	2009
Rick Klann	Board Member	2009
Board of Education (After September 2007 Election)		
Rick Klann	President	2009
Mick Olson	Vice President	2008
Dawn Daughton	Board Member	2008
Mark Howard	Board Member	2009
DeWayne Frazier	Board Member	2010
School Officials		
Cathleen Molumby	Superintendent	2008
Melissa Fettkether	Business Manager/District Treasurer	Indefinite
Carole Nading	District Secretary	Indefinite
T. David Katsumes	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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Independent Auditor's Report

To the Board of Education of
Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District, Elgin, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2009 on our consideration of Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be


considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa 52043

January 9, 2009

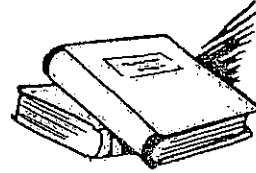


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Valley Community School District

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Valley Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008. The analysis focuses on the District's financial statements as a whole. Please read it in conjunction with the District's financial statements, which follow this section.

2008 FINANCIAL HIGHLIGHTS

General Fund revenues increased overall by \$ 349,703 compared to FY07, while expenditures decreased \$ 2,742. Total revenues of \$ 4,628,828 exceeded total expenditures of \$ 4,176,905 by \$ 451,923. This resulted in an increase in the District's General Fund balance from \$ 531,106 to \$ 983,029.

The increase in revenues was mostly attributable to an increase in local taxes, state aid and tuition, offset by a decrease in federal aid.

Instructional costs decreased approximately \$ 40,000, however, student support services increased approximately \$ 45,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Valley Community School District as a whole and present an overall view of the District's

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finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Valley Community School District acts solely as custodian for the benefit of those outside the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health and financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain

services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as the management levy.

The District has three kinds of funds:

1. Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near term to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary fund: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, an Agency Fund. Agency Funds are funds through which the District administers and accounts for assets that belong to the Northeast Iowa Health Occupation Consortium.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements

because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30		June 30		June 30		June 30
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,356	3,755	59	88	4,415	3,843	14.9%
Capital assets	3,160	3,147	11	12	3,171	3,159	0.4%
Total assets	7,516	6,902	70	100	7,586	7,002	8.3%
Long-term liabilities	1,235	1,372	0	0	1,235	1,372	-10.0%
Other liabilities	1,969	1,862	14	17	1,983	1,879	5.5%
Total liabilities	3,204	3,234	14	17	3,218	3,251	-1.0%
Net assets:							
Invested in capital assets,							
Net of related debt	2,246	2,045	11	12	2,257	2,057	9.7%
Restricted	1,147	1,147	0	0	1,147	1,147	0.0%
Unrestricted	919	476	45	71	964	547	76.2%
Total net assets	\$ 4,312	3,668	56	83	4,368	3,751	16.4%

The District's combined net assets increased by over 16%, or approximately \$ 617,000 over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets remained nearly identical to the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$ 417,000 or over 76%. This increase in

unrestricted net assets was a result of accumulating an additional \$ 452,000 in the general fund.

Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	2007-08
Revenues:							
Program revenues:							
Charges for service	\$ 297	317	108	113	405	430	-5.8%
Operating grants, Contributions, and Restricted interest	702	632	116	126	818	758	7.9%
Capital grants, contributions And restricted interest	0	5	0	0	0	5	-100.0%
General revenues:							
Property tax	1,513	1,461	0	0	1,513	1,461	3.6%
Local option sales and Service tax	313	302	0	0	313	302	3.6%
Income tax surtax	80	14	0	0	80	14	471.4%
Unrestricted state grants	2,307	2,168	0	0	2,307	2,168	6.4%
Unrestricted investment Earnings	53	62	4	3	57	65	-12.3%
Other	44	12	0	0	44	12	266.7%
Total revenues	5,309	4,973	228	242	5,537	5,215	6.2%
Program expenses:							
Governmental activities:							
Instruction	2,929	2,958	0	0	2,929	2,958	-1.0%
Support services	1,418	1,374	0	0	1,418	1,374	3.2%
Non-instructional programs	1	1	255	251	256	252	1.6%
Other expenses	318	326	0	0	318	326	-2.5%
Total expenses	4,666	4,659	255	251	4,921	4,910	.2%
Change in net assets	\$ 643	314	(27)	(9)	616	305	102.0%

Property taxes and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

The District's total revenues were approximately \$ 5.54 million of which \$ 5.31

million was for governmental activities and over \$ 228,000 was for business type activities.

As shown above, the District as a whole experienced a 6.2% increase in revenues and a 0.2% increase in expenses. Property taxes increased approximately \$ 52,000, unrestricted state grants increased approximately \$ 139,000 and income tax surtax increased approximately \$ 66,000.

Governmental Activities

Revenues for governmental activities were \$ 5,309,422 and expenses were \$ 4,666,175. The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Total and Net Cost of Governmental Activities (Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,929	2,140
Support services	1,418	1,395
Non-instructional	1	1
Other expenses	318	131
Total	<u>\$ 4,666</u>	<u>3,667</u>

The cost financed by users of the District's programs was \$ 296,885.

Federal and state governments subsidized certain programs with grants and contributions totaling \$ 702,367.

The net cost of government activities was financed with \$ 1,906,664 in property and other taxes and \$ 2,306,876 in unrestricted state grants.

Business Type Activities

The District's only business-type activity is the School Nutrition Fund. The School Nutrition Fund balance is \$ 55,780, a decrease of \$ 26,980 compared to last year. Revenues of this fund are comprised of charges for service, federal and state reimbursements and investment income.

Expenses consist of employee wages, benefits, food, general supplies, repairs and depreciation. Also, continued from the previous year were programs offering breakfast bags for students to buy and salads for adults. The District has not increased lunch prices since 1997/98.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Valley Community School District used fund accounting to

ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed fiscal year 2008, its governmental funds reported combined fund balances of \$ 2,397,284 about \$ 491,000 above last year's ending fund balances of \$ 1,906,413. The primary reason for the increase was holding spending increases to only \$ 7,000 in FY08 while revenues increased nearly \$ 410,000.

Governmental Fund Highlights

The General Fund balance increased from \$ 531,106 to \$ 983,029 due to a nearly \$ 141,000 increase in local taxes and a \$ 160,000 increase in state grants.

The Physical Plant and Equipment Levy (PEEL) Fund balance decreased by \$ 69,772 to \$ 315,882. Included in the ending balance is \$ 106,768 of QZAB loan funds.

The Capital Projects Fund balance increased by \$ 108,390 to \$ 866,543. Included in the ending balance is \$ 134,048 of unexpended QZAB loan funds.

Proprietary Fund Highlights

Revenues of the District's Nutrition Fund activities decreased 5.8% to \$ 228,429, while expenses increased 1.7% to \$ 255,409. Special programs begun during FY04 were continued.

BUDGETARY HIGHLIGHTS

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget." In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its agency fund. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis. It is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

A schedule showing original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District's revenues were \$ 238,328 less than budgeted revenues.

Total expenditures were \$ 483,151 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a

result, the District's certified budget should always exceed actual expenditures for the year.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash." It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$ 3.2 million net of accumulated depreciation, in a broad range of capital assets in the governmental fund. This includes land, buildings, equipment and transportation equipment. (See following chart.) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year in the governmental funds was approximately \$ 129,000.

The District has a capitalization threshold of \$ 3,000 per asset for governmental funds. The threshold remains at \$ 500 for business-type funds.

The School Nutrition Fund owned \$ 10,756 in assets, net of depreciation. This is down slightly from \$ 12,433 on June 30, 2007 due to FY08 depreciation expense.

The largest capital acquisitions for FY08 were the purchase of a clock system for \$ 10,210, wireless internet for \$ 27,007, computers for \$ 73,734 and bleachers for \$ 31,808.

Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 33	33	0	0	33	33	0.0%
Site Improvements	89	63	0	0	89	63	41.3%
Buildings	2,945	3,001	0	0	2,945	3,001	-1.9%
Furniture	93	50	11	12	104	62	67.7%
Total	\$ 3,160	3,147	11	12	3,171	3,159	3.8%

Long-Term Debt

At year-end, the District had debt of \$ 1,235,052 in general obligation bonds, revenue bonds, capital loan notes, and capital leases. This represents a decrease of approximately \$ 95,000 from last year. (See following chart.) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

A final payment of \$ 135,000 was made on the existing general obligation bonds.

A payment of \$ 80,000 was made on the 2004 revenue bonds (\$ 850,000 issue) lowering the balance to \$ 555,000. Also outstanding are QZAB revenue bonds of \$ 220,000 and QZAB capital loan notes of \$ 340,000. The QZAB obligations are not due until 2013; however, deposits will be sent to an escrow agent annually to hold for final payment.

The District financed the purchase of computers with a \$ 73,734 capital lease.

Outstanding Long-Term Obligations (Expressed in thousands)			
Total District		Total Change	
June 30,		June 30,	
2008	2007	2007-08	
General obligation bonds	\$ 0	135	-100.0%
Revenue bonds	775	855	-9.4%
Capital loan notes	340	340	0.0%
Capital leases	67	0	-
Compensated absences	53	42	26.2%
Totals	\$ 1,235	1,372	-10.0%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of a few existing circumstances that could significantly affect its financial health in the future:

- Taxable valuation in the District increased over 2.5% from \$ 96,749,112 to \$ 99,199,363.
- Enrollment decreased in September of 2007, which determines FY09 funding. Combined with 4% allowable growth, the District will receive \$ 209,000 less in state aid for 2008/09. Property tax receipts will increase \$ 91,000, with a 3.6% increase in the tax rate.
- The ending fund balance is budgeted to decrease approximately \$ 41,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Fettkether, Business Manager/Board Treasurer, or Cathleen Molumby, Superintendent.

Basic Financial Statements

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,437,560	46,548	2,484,108
Receivables:			
Property tax:			
Delinquent	66,381	-	66,381
Succeeding year	1,555,731	-	1,555,731
Accounts	-	240	240
Due from other funds	16,324	-	16,324
Due from other governments	247,431	-	247,431
Prepaid expense	32,011	-	32,011
Inventories	-	12,106	12,106
Capital assets, net of accumulated depreciation	3,160,413	10,756	3,171,169
TOTAL ASSETS	7,515,851	69,650	7,585,501
LIABILITIES			
Salaries and benefits payable	402,423	12,239	414,662
Accrued interest payable	10,795	-	10,795
Deferred revenue:			
Succeeding year property tax	1,555,731	-	1,555,731
Other	-	1,631	1,631
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	80,000	-	80,000
Capital leases payable	24,696	-	24,696
Compensated absences	52,989	-	52,989
Portion due after one year:			
Revenue bonds payable	695,000	-	695,000
Capital leases payable	42,367	-	42,367
Notes payable	340,000	-	340,000
TOTAL LIABILITIES	3,204,001	13,870	3,217,871
NET ASSETS			
Invested in capital assets, net of related debt	2,245,535	10,756	2,256,291
Restricted for:			
Management levy	161,360	-	161,360
Physical plant and equipment levy	211,347	-	211,347
Local option sales and service tax	713,893	-	713,893
Other special revenue purposes	60,470	-	60,470
Unrestricted	919,245	45,024	964,269
TOTAL NET ASSETS	\$ 4,311,850	55,780	4,367,630

See notes to financial statements.

Exhibit B

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Expenses	Program Revenues		Governmental Activities	Business type Activities	Total
		Charges for Service	Operating Grants, Contributions and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,800,764	127,553	343,395	(1,329,816)	-	(1,329,816)
Special	851,606	-	156,341	(695,265)	-	(695,265)
Other	277,129	146,423	16,162	(114,544)	-	(114,544)
	<u>2,929,499</u>	<u>273,976</u>	<u>515,898</u>	<u>(2,139,625)</u>	<u>-</u>	<u>(2,139,625)</u>
Support services:						
Student	152,853	-	-	(152,853)	-	(152,853)
Instructional staff	146,791	-	-	(146,791)	-	(146,791)
Administration	501,520	-	-	(501,520)	-	(501,520)
Plant operation and maintenance	388,819	20,000	-	(368,819)	-	(368,819)
Transportation	227,711	2,909	-	(224,802)	-	(224,802)
	<u>1,417,694</u>	<u>22,909</u>	<u>-</u>	<u>(1,394,785)</u>	<u>-</u>	<u>(1,394,785)</u>
Non-instructional programs	1,458	-	-	(1,458)	-	(1,458)
Other expenditures:						
Facilities acquisition	3,767	-	-	(3,767)	-	(3,767)
Long-term debt interest	28,037	-	-	(28,037)	-	(28,037)
AEA flowthrough	186,469	-	186,469	-	-	-
Depreciation (unallocated)	99,251	-	-	(99,251)	-	(99,251)
	<u>317,524</u>	<u>-</u>	<u>186,469</u>	<u>(131,055)</u>	<u>-</u>	<u>(131,055)</u>
Total governmental activities	<u>4,666,175</u>	<u>296,885</u>	<u>702,367</u>	<u>(3,666,923)</u>	<u>-</u>	<u>(3,666,923)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	255,409	108,331	116,195	-	(30,883)	(30,883)
Total	<u>\$ 4,921,584</u>	<u>405,216</u>	<u>818,562</u>	<u>(3,666,923)</u>	<u>(30,883)</u>	<u>(3,697,806)</u>
General Revenues:						
Property tax levied for:						
General purposes				1,435,782	-	1,435,782
Capital outlay				77,580	-	77,580
Local option sales and service tax				313,399	-	313,399
Income tax surtax				79,903	-	79,903
Unrestricted state grants				2,306,876	-	2,306,876
Unrestricted interest earnings				52,439	3,903	56,342
Other				44,191	-	44,191
Total general revenues				<u>4,310,170</u>	<u>3,903</u>	<u>4,314,073</u>
Change in net assets				643,247	(26,980)	616,267
Net assets beginning of year:						
As previously reported				3,632,413	82,760	3,715,173
Adjustment for understatement of due from other governments				36,190	-	36,190
Net assets beginning of year, as restated				<u>3,668,603</u>	<u>82,760</u>	<u>3,751,363</u>
Net assets end of year				<u>\$ 4,311,850</u>	<u>55,780</u>	<u>4,367,630</u>

See notes to financial statements

Exhibit C

VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Special Revenue Property, Plant and Equipment Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,121,776	314,916	772,783	228,085	2,437,560
Receivables:					
Property tax					
Delinquent	59,863	2,773	-	3,745	66,381
Succeeding year	1,406,308	63,823	-	85,600	1,555,731
Prepaid expense	-	32,011	-	-	32,011
Due from other funds	82,153	32,011	19,798	-	133,962
Due from other governments	141,458	-	105,973	-	247,431
TOTAL ASSETS	\$ 2,811,558	445,534	898,554	317,430	4,473,076
LIABILITIES					
Salaries and benefits payable	\$ 402,423	-	-	-	402,423
Due to other funds	19,798	65,829	32,011	-	117,638
Deferred revenue:					
Succeeding year property tax	1,406,308	63,823	-	85,600	1,555,731
Total liabilities	1,828,529	129,652	32,011	85,600	2,075,792
Fund balances:					
Reserved for:					
Debt service	-	104,535	152,650	10,000	267,185
Unreserved	983,029	211,347	713,893	221,830	2,130,099
Total fund balances	983,029	315,882	866,543	231,830	2,397,284
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,811,558	445,534	898,554	317,430	4,473,076

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances of governmental funds (page 20)	\$ 2,397,284
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,160,413
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,795)
Long-term liabilities, including bonds and notes payable, capital leases payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,235,052)</u>
Net assets of governmental activities (page 18)	<u>\$ 4,311,850</u>

See notes to financial statements.

Exhibit E

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Special Revenue Property, Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,429,385	77,580	313,399	86,300	1,906,664
Tuition	113,533	-	-	-	113,533
Other	92,829	13,846	22,229	167,239	296,143
State sources	2,783,929	-	-	-	2,783,929
Federal sources	209,152	-	-	-	209,152
Total revenues	4,628,828	91,426	335,628	253,539	5,309,421
Expenditures:					
Current:					
Instruction:					
Regular	1,778,303	100,742	-	17,205	1,896,250
Special	851,606	-	-	-	851,606
Other	101,764	-	-	172,887	274,651
	2,731,673	100,742	-	190,092	3,022,507
Support services:					
Student	152,853	-	-	-	152,853
Instructional staff	145,670	-	-	-	145,670
Administration	472,120	-	-	18,937	491,057
Plant operation and maintenance	347,251	22,397	-	18,332	387,980
Transportation	140,285	68,918	-	7,508	216,711
	1,258,179	91,315	-	44,777	1,394,271
Non-instructional programs	584	-	-	874	1,458
Other expenditures:					
Facilities acquisition	-	35,559	16	-	35,575
Long term debt:					
Principal	-	-	-	221,671	221,671
Interest and fiscal charges	-	-	-	30,333	30,333
AEA flowthrough	186,469	-	-	-	186,469
	186,469	35,559	16	252,004	474,048
Total expenditures	4,176,905	227,616	16	487,747	4,892,284
Excess (deficiency) of revenues over (under) expenditures	451,923	(136,190)	335,612	(234,208)	417,137

(continued)

Exhibit E
(continued)

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Special Revenue Property, Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Capital lease obligation acquired	-	73,734	-	-	73,734
Operating transfers in	-	-	-	234,538	234,538
Operating transfers out	-	(7,316)	(227,222)	-	(234,538)
Total other financing sources (uses):	-	66,418	(227,222)	234,538	73,734
Net change in fund balances	451,923	(69,772)	108,390	330	490,871
Fund balances beginning of year:					
As previously reported	494,916	385,654	758,153	231,500	1,870,223
Adjustment for under- statement of due from other governments	36,190	-	-	-	36,190
Fund balances beginning of year, as restated	531,106	385,654	758,153	231,500	1,906,413
Fund balances end of year	\$ 983,029	315,882	866,543	231,830	2,397,284

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2008

Net change in fund balances-total governmental
 funds (page 23) \$ 490,871

Amounts reported for governmental activities in
 the Statement of Activities are different because:

Capital outlays to purchase or build capital assets
 are reported in governmental funds as expenditures.
 However, those costs are not reported in the Statement
 of Net Assets and are allocated over their estimated
 useful lives as depreciation expense in the Statement
 of Activities. Depreciation expense exceeded capital
 outlay expenditures in the current year as follows:

Depreciation expense	\$ (129,445)	
Expenditures for capital assets	<u>142,759</u>	13,314

Proceeds from issuing long-term liabilities provide
 current financial resources to governmental funds,
 but issuing debt increases long-term liabilities in
 the Statements of Net Assets. Repayment of long-term
 liabilities is an expenditure in the governmental funds,
 but the repayment reduces long-term liabilities in
 the Statement of Net Assets.

Issued	\$ (73,734)	
Repaid	<u>221,671</u>	147,937

Interest on long-term debt in the Statement of
 Activities differs from the amount reported in the
 governmental funds because interest is recorded as
 an expenditure in the funds when due. In the
 Statement of Activities, interest expense is
 recognized as the interest accrues, regardless
 of when it is due.

2,296

Some expenses reported in the Statement of
 Activities do not require the use of current
 financial resources and, therefore, are not
 reported as expenditures in the governmental
 funds as follows:

Compensated absences		<u>(11,171)</u>
Change in net assets of governmental activities (page 19)		<u>\$ 643,247</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 46,548
Accounts receivable	240
Inventories	12,106
Capital assets, net of accumulated depreciation	<u>10,756</u>
TOTAL ASSETS	<u>69,650</u>
LIABILITIES	
Salaries and benefits payable	12,239
Deferred revenue	<u>1,631</u>
TOTAL LIABILITIES	<u>13,870</u>
NET ASSETS	
Invested in capital assets	10,756
Unrestricted	<u>45,024</u>
TOTAL NET ASSETS	<u>\$ 55,780</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2008

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 108,331</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	93,276
Benefits	29,466
Purchased services	1,168
Supplies	129,822
Depreciation	<u>1,677</u>
Total operating expenses	<u>255,409</u>
Operating loss	<u>(147,078)</u>
Non-operating revenues:	
State sources	2,695
Federal sources	113,500
Interest income	<u>3,903</u>
Total non-operating revenues	<u>120,098</u>
Net loss	(26,980)
Net assets beginning of year	<u>82,760</u>
Net assets end of year	<u><u>\$ 55,780</u></u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sales of lunches and breakfasts	\$ 103,165
Cash received from miscellaneous operating activities	1,417
Cash paid to employees for services	(121,941)
Cash paid to suppliers for goods or services	(109,352)
Net cash used by operating activities	<u>(126,711)</u>
Cash flows from non-capital financing activities:	
State grants received	2,695
Federal grants received	88,787
Net cash provided by non-capital financing activities	<u>91,482</u>
Cash flows from investing activities	
Interest on investments	3,903
Net decrease in cash and cash equivalents	<u>(31,326)</u>
Cash and cash equivalents beginning of year	77,874
Cash and cash equivalents end of year	<u>\$ 46,548</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (147,078)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,713
Depreciation	1,677
Decrease in accounts receivable	417
Increase in inventories	(3,074)
Increase in salaries and benefits payable	801
Decrease in deferred revenue	(4,167)
Net cash used by operating activities	<u>\$ (126,711)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2008, the District received \$ 24,713 of federal commodities.	

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS
FIDUCIARY FUND
June 30, 2008

	<u>Agency</u>
ASSETS	
Due from other governments	\$ 16,324
LIABILITIES	
Due to other funds	<u>16,324</u>
NET ASSETS	<u>\$ -</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Clermont, Elgin and Wadena, Iowa and the predominate agricultural territory of eastern Fayette and western Clayton Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes Valley Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in two jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fayette County Assessor's Conference Board and the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue Property Plant and Equipment Levy Fund is used to account for revenues derived from the property, plant and equipment levy which are required by law to be accounted for in a separate fund.

The Capital Projects Fund is used to account for revenues derived from the local option sales and service tax which are required by law to be accounted for in a separate fund.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District reports the following fiduciary fund:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be

available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Boards of Supervisors in April 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary

funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Improvements other than buildings	20
Furniture and equipment	4-12

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent

grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and lunch fees collected in advance.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of

deposit or other evidence of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 193,338</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Restricted Cash - Cash held in escrow by the Bank of America for retirement of QZAB bonds (see note 6) is as follows:

Special Revenue Property, Plant and Equipment	\$ 104,535
Levy Fund	<u>67,650</u>
Capital Projects Fund	
Total	<u>\$ 172,185</u>

Investment Rate Risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the District.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	\$ 16,324
	Special Revenue:	
	Property, Plant and	
	Equipment Levy	<u>65,829</u>
		82,153

Special Revenue:

Property, Plant and Equipment Levy	Capital Projects	32,011
Capital Projects	General	<u>19,798</u>
Total		<u>\$ 133,962</u>

The Agency Fund is repaying the General Fund for items paid by the General Fund, while the Agency Fund was awaiting payment from other school districts.

The Special Revenue: Property, Plant and Equipment Levy Fund is reimbursing the General Fund for bus lease payments.

The Capital Projects Fund is reimbursing the Special Revenue: Property, Plant and Equipment Levy Fund for bus lease payments.

The General Fund is repaying the Capital Projects Fund for local option sales tax that was incorrectly recorded during the current year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 227,222
	Special Revenue:	
	Property, Plant and Equipment Levy	<u>7,316</u>
Total		<u>\$ 234,538</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Balance End of Year
Governmental activities:			
Capital assets not being Depreciated:			
Land	\$ 32,907	0	32,907
Capital assets being depreciated:			
Buildings	4,295,189	37,217	4,332,406
Site improvements	92,489	31,808	124,297
Furniture and equipment	422,100	73,734	495,834
Total capital assets being Depreciated	4,809,778	142,759	4,952,537
Less accumulated depreciation for:			
Buildings	1,294,047	93,027	1,387,074
Site improvements	29,303	6,224	35,527
Furniture and equipment	372,236	30,194	402,430
Total accumulated depreciation	1,695,586	129,445	1,825,031
Total capital assets being Depreciated, net	3,114,192	13,314	3,127,506
Governmental activities Capital assets, net	\$ 3,147,099	13,314	3,160,413
Business type activities:			
Furniture and equipment	\$ 69,425	0	69,425
Less accumulated depreciation	56,992	1,677	58,669
Business type activities Capital assets, net	\$ 12,433	(1,677)	10,756

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 5,255
Other	2,478
Support services:	
Instructional staff	1,121
Operation and maintenance of plant	10,340
Transportation	11,000
	30,194
Unallocated	99,251
Total depreciation expense - governmental activities	\$ 129,445
Business type activities	
Food service operations	\$ 1,677

(6) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation					
Bonds	\$ 135,000	0	135,000	0	0
Revenue Bonds	855,000	0	80,000	775,000	80,000
Notes Payable	340,000	0	0	340,000	0
Capital Leases	0	73,734	6,671	67,063	24,696
Compensated Absences	41,818	17,736	6,565	52,989	52,989
Total	<u>\$ 1,371,818</u>	<u>91,470</u>	<u>228,236</u>	<u>1,235,052</u>	<u>157,685</u>

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and service tax revenue bonded indebtedness are as follows:

Year	<u>Bond Issue Sep 1, 2003</u>			<u>Bond Issue Dec 28, 2003</u>			<u>Total</u>		
Ending	Interest			Interest					
June 30,	Rates	Principal	Interest	Rates	Principal	Principal	Interest	Total	
2009	3.35%	\$ 80,000	20,250	0%	0	80,000	20,250	100,250	
2010	3.50%	85,000	17,423	0%	0	85,000	17,423	102,423	
2011	3.80%	90,000	14,225	0%	0	90,000	14,225	104,225	
2012	4.00%	95,000	10,615	0%	0	95,000	10,615	105,615	
2013	4.20%	100,000	6,615	0%	0	100,000	6,615	106,615	
2014	4.30%	105,000	2,257	0%	220,000	325,000	2,257	327,257	
Total		\$ 555,000	71,385		220,000	775,000	71,385	846,385	

The local option sales and service tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. The resolution providing for the issuance of the September 1, 2003 local option sales and service tax revenue bonds included the following:

A] \$ 85,000 of the proceeds from the issuance of the revenue bonds shall be

deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.

- B] All proceeds from the local option sales and service tax shall be placed in a Revenue Account.
- C] Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- D] Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The resolution providing for the issuance of the District's December 28, 2003 local option sales and service tax revenue bond included the following provision:

To provide for the payment of the bonds at maturity there is established with the Bank of America, N.A. of Des Moines, Iowa an irrevocable trust fund for the benefit of bondholders known as the Escrow Account to be invested as per the Investment Agreement. Annually, on July 1 of each year commencing July 1, 2005, there shall be deposited from the Sinking Fund into the Escrow Fund \$ 22,545 to be invested in accordance with the terms of the Investment Agreement. Such amount has been determined to be sufficient together with invested earnings thereon to pay when due the principal of the bonds. The Escrow Fund is pledged to the payment of the bonds at maturity. At June 30, 2008 the escrow account balance was \$ 67,650.

Notes Payable

During the year ended June 30, 2004, the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation, and repair of the School. The notes bear no interest and are payable from the Special Revenue, Physical Plant and Equipment Levy Fund (PPEL Fund). On July 1 of each year commencing July 1, 2005, there shall be deposited from the PPEL Fund to the Escrow Fund \$ 34,845 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity July 1, 2013. At June 30, 2008 the escrow account balance was \$ 104,535. In any year in which taxable valuations within the District are of an amount that the tax collections will be less than \$ 34,845, the District shall certify to each County Auditor an additional tax levy to the full extent of 45 cents per thousand dollars of assessed valuation. Detail of the District's indebtedness under the agreement in effect at June 30, 2008 is as follows:

Year
Ending
June 30,

2014

December 28, 2003
Capital Loan Notes
Principal Interest

\$ 340,000 0

Capital Leases

During the year ended June 30, 2008, the District entered into two lease-purchase agreements in connection with the acquisition of computer equipment. Details of the District's indebtedness under these agreements in effect at June 30, 2008 are as follows

Year Ending June 30,	Capital Leases				Total		
	Dec 30, 2008 @ 10.01%		Apr 15, 2008 @ 4.49%				
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2009	\$ 6,638	678	18,058	1,027	24,696	1,705	26,401
2010	6,622	694	17,480	1,605	24,102	2,299	26,401
2011	0	0	18,265	820	18,265	820	19,085
Total	\$ 13,260	1,372	53,803	3,452	67,063	4,824	71,887

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: IPERS; P.O. Box 9117; Des Moines, Iowa 50603-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$ 167,674, \$ 159,807 and \$ 154,473, respectively, equal to the required contributions for each year.

(8) Risk Management

Valley Community School District is exposed to various risks of loss related to torts; thefts; damage to and destruction of assets; errors and omissions; injuries to

employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$ 186,469 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Lease Commitments

The District has various leases for equipment which are classified as operating leases. Rent expense for all operating leases for the year ended June 30, 2008 totaled \$ 86,927.

Future minimum lease payments under the non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	\$ 84,808
2010	47,901
2011	4,801

(11) Prior Period Adjustment

The District discovered that its due from other governments was understated at June 30, 2007 by \$ 36,190. This resulted in net assets in the governmental activities column of the statement of net assets and the fund balance of the general fund column of the governmental funds balance sheet being understated by \$ 36,190 at June 30, 2007. In addition, the change in net assets in the governmental activities column of the statement of activities and the net change in fund balances in the general fund column of the governmental funds statement of revenues, expenditures and changes in fund balances were understated by \$ 36,190 for the year ended June 30, 2007.

Required Supplementary Information

VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES-
BUDGET AND ACTUAL-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budgeted Amounts to Total Actual Variance
Revenues:					
Local sources	\$ 2,316,340	112,234	2,428,574	2,520,447	(91,873)
State sources	2,783,929	2,695	2,786,624	2,726,468	60,156
Federal sources	209,152	113,500	322,652	529,263	(206,611)
Total revenues	5,309,421	228,429	5,537,850	5,776,178	(238,328)
Expenditures:					
Instruction	3,022,507	-	3,022,507	3,122,204	99,697
Support services	1,394,271	-	1,394,271	1,503,898	109,627
Non-instructional programs	1,458	255,409	256,867	292,329	35,462
Other expenditures	474,048	-	474,048	712,413	238,365
Total expenditures	4,892,284	255,409	5,147,693	5,630,844	483,151
Excess (deficiency) of revenues over (under) expenditures	417,137	(26,980)	390,157	145,334	244,823
Other financing sources, net	73,734	-	73,734	8,500	65,234
Excess (deficiency) of revenues and other financing sources over (under) expenditures	490,871	(26,980)	463,891	153,834	310,057
Balances beginning of year	1,906,413	82,760	1,989,173	2,157,365	(168,192)
Balances end of year	\$ 2,397,284	55,780	2,453,064	2,311,199	141,865

See accompanying independent auditor's report and notes to required
supplementary information - budgetary reporting.

Valley Community School District

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
ASSETS				
Cash and pooled investments	\$ 157,615	60,470	10,000	228,085
Receivables:				
Property tax:				
Delinquent	3,745	-	-	3,745
Succeeding year	85,600	-	-	85,600
TOTAL ASSETS	<u>\$ 246,960</u>	<u>60,470</u>	<u>10,000</u>	<u>317,430</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue:				
Succeeding year				
property tax	85,600	-	-	85,600
Total liabilities	<u>85,600</u>	<u>-</u>	<u>-</u>	<u>85,600</u>
Fund balances:				
Reserved for:				
Debt service	-	-	10,000	10,000
Unreserved	161,360	60,470	-	221,830
Total fund balances	<u>161,360</u>	<u>60,470</u>	<u>10,000</u>	<u>231,830</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 246,960</u>	<u>60,470</u>	<u>10,000</u>	<u>317,430</u>

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues:				
Local sources:				
Local tax	\$ 86,300	-	-	86,300
Other	10,953	156,281	5	167,239
Total revenues	97,253	156,281	5	253,539
Expenditures:				
Current:				
Instruction:				
Regular	17,205	-	-	17,205
Other	-	172,887	-	172,887
Support services:				
Administration	18,937	-	-	18,937
Plant operation and maintenance	18,332	-	-	18,332
Transportation	7,508	-	-	7,508
Non-instructional programs	874	-	-	874
Other expenditures:				
Long-term debt				
Principal	-	-	221,671	221,671
Interest and fiscal charges	-	-	30,333	30,333
Total expenditures	62,856	172,887	252,004	487,747
Excess (deficiency) of revenues over (under) expenditures	34,397	(16,606)	(251,999)	(234,208)
Other financing sources:				
Operating transfers in	-	-	234,538	234,538
Excess (deficiency) of revenues and other financing sources over (under) expenditures	34,397	(16,606)	(17,461)	330
Fund balances beginning of year	126,963	77,076	27,461	231,500
Fund balances end of year	\$ 161,360	60,470	10,000	231,830

See accompanying independent auditor's report.

Schedule 3

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest	\$ 1,343	4,626	-	-	5,969
Drama	8,177	4,419	5,527	-	7,069
Junior High Drama	1,524	601	361	-	1,764
Speech	(324)	6,515	1,329	-	4,862
Vocal music	6,314	3,493	8,257	-	1,550
Instrumental music	1,518	12,154	27,757	11,221	(2,864)
Band Carnival	8,545	7,192	2,092	(10,406)	3,239
Band Uniforms	12,451	-	-	1,800	14,251
Magazine Sales	11,341	12,257	7,684	(2,615)	13,299
Junior High Athletics	(4,485)	90	7,944	-	(12,339)
Youth Baseball/Softball	98	-	-	-	98
Football Cheerleaders	-	1,218	745	-	473
Drill Team	(1,116)	-	-	-	(1,116)
Wrestling Cheerleaders	77	200	-	-	277
Girls' Track Fundraiser	1,912	2,755	3,063	-	1,604
Boys' Track Fundraiser	804	1,438	1,773	-	469
Cross Country Fundraiser	884	-	-	-	884
Golf Fundraiser	(212)	1,486	1,512	-	(238)
Boys' Basketball Fundraiser	365	661	125	-	901
Football Fundraiser	5,673	3,083	4,843	-	3,913
Baseball Fundraiser	864	2,426	2,544	-	746
Wrestling Fundraiser	477	455	-	-	932
Girls' Basketball Fundraiser	(1,146)	5,755	463	-	4,146
Girls' State Basketball Tournament	891	-	-	-	891
Volleyball Fundraiser	1,958	4,208	4,049	-	2,117
Softball Fundraiser	(363)	-	128	-	(491)
General Athletics	(7,133)	27,741	32,554	-	(11,946)
Student O	2,686	2,104	2,161	-	2,629
Athletic Resale	4,602	1,461	333	-	5,730
FFA	7,666	19,229	23,334	-	3,561
National Honor Society	-	-	125	-	(125)
Student Council	-	10,574	10,382	-	192
Junior High Student Council	1,189	533	1,003	-	719
Yearbook	(398)	7,018	7,105	-	(485)
Previous Graduated Classes	1,134	45	-	2,054	3,233
Class of 2007	2,239	-	185	(2,054)	-
Class of 2008	3,923	2,049	5,612	-	360
Class of 2009	1,479	9,041	9,567	-	953
Class of 2010	1,119	414	31	-	1,502
Class of 2011	670	350	100	-	920
Class of 2012	330	300	-	-	630
Class of 2013	-	390	-	-	390
General Business	-	-	199	-	(199)
Total	\$ 77,076	156,281	172,887	-	60,470

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES-
 AGENCY FUND
 Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash	\$ 0	81,777	81,777	0
Due from other governments	2,383	53,915	39,974	16,324
TOTAL ASSETS	<u>\$ 2,383</u>	<u>135,692</u>	<u>121,751</u>	<u>16,324</u>
LIABILITIES				
Accounts payable	\$ 406	121,345	121,751	-
Due to other funds	1,977	14,347	-	16,324
	<u>\$ 2,383</u>	<u>135,692</u>	<u>121,751</u>	<u>16,324</u>

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 1,906,664	1,775,571	1,778,963	1,766,838
Tuition	113,533	106,734	85,134	80,288
Other	296,143	263,299	329,152	296,600
Intermediate sources	-	6,460	-	-
State sources	2,783,929	2,624,274	2,533,585	2,387,749
Federal sources	209,152	197,139	225,582	419,049
Total	<u>\$ 5,309,421</u>	<u>4,973,477</u>	<u>4,952,416</u>	<u>4,950,524</u>
Expenditures:				
Instruction:				
Regular	\$ 1,896,250	1,804,343	1,658,069	1,617,642
Special	851,606	885,510	889,263	764,552
Other	274,651	264,223	306,623	368,660
Support services:				
Student	152,853	108,143	106,469	109,244
Instructional staff	145,670	143,392	146,601	110,504
Administration	491,057	512,477	537,970	520,321
Plant operation and maintenance	387,980	363,446	458,363	367,752
Transportation	216,711	208,027	156,996	212,092
Central support	-	-	-	1,813
Non-instructional programs	1,458	1,318	2,712	750
Other expenditures:				
Facilities acquisition	35,575	112,109	43,597	591,851
Long-term debt:				
Principal	221,671	220,000	220,000	215,000
Interest and other charges	30,333	37,954	46,747	54,828
AEA flowthrough	186,469	177,469	172,207	169,150
Total	<u>\$ 4,892,284</u>	<u>4,838,411</u>	<u>4,745,617</u>	<u>5,104,159</u>

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the
Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Valley Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency which we also consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control

deficiency, or combination of control deficiencies, that adversely affects Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Valley Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's response, we did not audit Valley Community School District's response and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Valley Community School District and other parties to whom Valley Community School District may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 9, 2009

Dietz, Donald Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 - **Financial Reporting** - As is common in small organizations, the District does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the District is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the District's financial statements, including related notes. The District then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process, the District should establish review policies and procedures including the performance of some or all of the following:

- Review the adequacy of financial statement disclosures.
- Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- Apply analytical procedures to the draft financial statements.
- Apply other procedures as considered necessary by the District.

Response - We hired a new business manager in October, 2006. At the time of hiring, the new business manager had no governmental experience. However, we hope to implement review procedures by the end of the current fiscal year.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- II-A-08 **Certified Budget** - Disbursements for the year ended June 30, 2008 did not exceed the amounts budgeted.
- II-B-08 **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-08 **Travel Expenses** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 **Business Transactions** - No business transactions between the District and District officials or employees were noted.
- II-E-08 **Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-08 **Board Minutes** - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-08 **Certified Enrollment** - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 **Deposits and Investments** - No instances of non-compliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-08 **Certified Annual Report** - The Certified Annual Report was certified timely to Iowa Department of Education.
- II-J-08 **Revenue Bonds** - No instances of non-compliance with the revenue bond resolution were noted.